

**Transcript of Remarks by Senate Budget Committee Chairman Kent Conrad (D-ND)
at Press Conference with Americans for a Fair Estate Tax
June 12, 2002**

I think the message is very clear from the polling. The people of the country favor reform of the estate tax rather than repeal. I think if one examines the issue carefully, one can see that repeal is both unfair and unaffordable.

We are not making this decision in a vacuum. This [chart] shows the changing circumstances of the federal treasury over the last year. You will recall that last year we were told we could expect some \$5.6 trillion in surpluses over the next decade. Now, when we look at the President's budget submission, and we look at the most recent revenue shortfall, what we see is – that instead of a surplus of \$5.6 trillion over the next decade – \$600 billion of deficits over the next decade.

When we look at the question of repeal of the estate tax, what we see is the cost is enormous – almost \$100 billion in this decade. But it absolutely explodes in the second decade to \$740 billion – right at the time the baby boom generation retires. That means this money would have to be coming right out of Social Security, because there is no other place for it to come from.

The money is gone. I know it is hard to get people to adjust their thinking to the new reality. So many people are still caught up with the notion that we've got these surpluses. There are no surpluses. The surpluses are gone. They are victims of the tax cut passed last year, the attack on the United States, and the economic slowdown. The tax cut being the biggest single reason. It accounts for 40 percent of the disappearance of the surplus.

It is also fundamentally unfair to repeal the estate tax. We've chosen one example. Mr. Skilling, the former CEO of Enron, would benefit to the tune of \$55 million if the estate tax is repealed. How would you have to pay for that? One example of how one would pay for it is all of the Social Security taxes of 30,000 Americans earning \$30,000 per year. Is that fair? Is it fair to take all of the Social Security taxes of 30,000 Americans earning \$30,000 per year to give a \$55 million tax cut to Mr. Skilling, the former head of Enron. I don't think so. I don't think that passes any fairness test, and I don't think that is something the American people will endorse.

But there is a need to reform the estate tax. And that's what I'm proposing, and that's what we will vote on today. Under the proposal that I have made, we would go to a \$3 million exemption for the estate tax for an individual next year. We wouldn't have to wait. Under the Republican plan, you would be waiting six or seven years to get to this level. I am proposing to go to \$3 million for an individual from the current \$1 million, and do it next year. That means a couple could shelter \$6 million from the estate tax.

Second, I am proposing to go to \$3.5 million in 2009 and thereafter.

I am proposing a maximum estate tax rate of 50 percent.

I am proposing retaining stepped-up basis. The Republican proposal has what is called carryover basis. Let me be clear. These are complicated terms, I know, but very simply, stepped-up basis means that you will pay taxes based on the value of what you acquired at the time of the death of your relative – what the value is at the time it is passed to you. Under the alternative, the Republicans have in their proposal a carryover basis. You will pay future taxes based on the [increase in] value of what you acquire [from the time] it was acquired by the person who gives it to you. So for example, if you are inheriting a farm from Grandpa, instead of paying on the basis of the value when it passed to you, you will be paying under the Republican plan based on the [increase in] value from when Grandpa bought it. That is a dramatic difference and people need to think very clearly about it as they evaluate these plans.

We also, under the plan that I am proposing, save hundreds of billions of dollars in the second decade, and by 2009, only three-tenths of one percent of estates would be subject to taxation. Let's be clear. Right now, only two percent of estates are subject to tax.

The truth is we don't have a death tax in America. There's no such thing as a death tax. People don't pay taxes at death. We have an estate tax based on people having a certain level of assets, currently \$1 million. What I am proposing is that we raise that to \$3 million for an individual, \$6 million for a couple, and then at 2009 take it to \$3.5 million for an individual, \$7 million for a couple. As I say, if my proposal is adopted, only three-tenths of one percent of estates would be subjected to any tax.

And it's affordable. The proposal that I am making costs far less than the Republican proposal. The Republican proposal costs \$99.4 billion according to the Joint Committee on Taxation. The proposal that I am making in the first decade costs \$12.6 billion. I think you have to take that into account given our overall fiscal condition that has so dramatically deteriorated.

So to sum up, reform yes, repeal no. Repeal is unfair. It is unaffordable. It will take the money from Social Security, from Medicare, from education, and even from our ability to defend this nation. It makes absolutely no sense in the context of what has occurred in the last year. Beyond that, it is simply unfair. It is clearly unfair to give the \$55 million tax break to Mr. Skilling at the expense of 30,000 Americans who earn \$30,000 and all they pay in Social Security taxes for a year. That cannot be the kind of tax policy we adopt in this country.